MAKHUDUTHAMAGA
LOCAL MUNICIPALITY

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Draft Tariff Policy

2020/21

INDEX

Contents

PART 1: LEGISLATIVE FRAMEWORK 3
PART 2: GENERAL PRINCIPLES 3
2.1 Service tariffs to be viewed as user charges 3
2.2 Tariffs to be uniformly and fairly applied 3
2.3 Recovery of operating expenses 3
2.4 Generation of operating surplus 4
2.5 Annual review of Indigent Support Programme 4
2.6 Differentiation of different categories of users 4
2.8 Services to be rendered in a cost effective manner 5
2.9 Enforcement of tariffs 5
2.10 Promotion of local economic development 5
PART 3: CALCULATION OF TARIFFS 6
3.1 Operational costs to be covered by tariffs 6
PART 4: REFUSE REMOVAL 7
PART 5: ASSESSMENT RATES 7
PART 6: SUNDRY TARIFFS 8
6.1 Subsidised Services 8
9.2 Community Services 8
6.2 Economic Services 8
6.3 Regulatory or punitive charges 9
PART 7: ANNEXURE: LEGAL REQUIREMENTS 10
SECTION 74: TARIFF POLICY 10
SECTION 73: GENERAL DUTY 11
SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY 11
PART 8: ANNEXURE: EXEMPTIONS, REDUCTIONS AND REBATES 12
PART 9: RISK CONSIDERATIONS 14

PART 1: LEGISLATIVE FRAMEWORK

1.1 Legislation

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of Makhuduthamaga Local Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – "that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act" (MSA). In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

PART 2: GENERAL PRINCIPLES

2.1 Service tariffs to be viewed as user charges

Service tariffs imposed by Makhuduthamaga Municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by Makhuduthamaga Municipality from time to time).

2.2 Tariffs to be uniformly and fairly applied

Makhuduthamaga Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

2.3 Recovery of operating expenses

Tariffs for the major service rendered by Makhuduthamaga Municipality, namely refuse removal (solid waste), shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays

shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

2.4 Generation of operating surplus

The Makhuduthamaga Local Municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of Makhuduthamaga Local Municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

2.5 Annual review of Indigent Support Programme

Makhuduthamaga Local Municipality shall annually review its indigence support programme for the municipal area.

2.6 Differentiation of different categories of users

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the Makhuduthamaga Local Municipality differentiates between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

2.7 Transparency

Makhuduthamaga Local Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

Makhuduthamaga Local Municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

2.8 Services to be rendered in a cost effective manner

Makhuduthamaga Municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

2.9 Enforcement of tariffs

Makhuduthamaga Municipality shall consistently enforce its tariffs and in order to deal with non-payment of municipal services by consumers, the Credit Control and Debt Collection By-Law will be applied.

2.10 Promotion of local economic development

In order to promote and ensure local economic development, competitiveness and sustainability, Makhuduthamaga Municipality shall not place too high a burden on local business and industrial activities when determining the tariffs for services charge.

PART 3: CALCULATION OF TARIFFS

3.1 Operational costs to be covered by tariffs

In order to determine the tariffs which must be charged for the supply of the four major services, Makhuduthamaga Local Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

a) Depreciation expenses.

b) Maintenance of infrastructure and other fixed assets.

c) Administration and service costs, including:
    1. service charges levied by other departments such as finance, human resources and legal services;
    2. reasonable general overheads, such as the costs associated with the office of the municipal manager;
    3. adequate contributions to the provisions for bad debts and obsolescence of stock;
    4. all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area

g. The intended surplus to be generated for the financial year, such surplus to be applied:
    a) as an appropriation to capital reserves; and/or
    b) generally in relief of rates and general services.

h. The cost of approved indigence relief measures.

PART 4: REFUSE REMOVAL

a. The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

b. Tariff adjustments shall be effective from 1 July each year.

c. A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

1.1.1. Domestic users (once weekly removal)
1.1.2. Business (twice weekly removal)
1.1.3. Government Departments and Institutions and other users (thrice weekly removal)
1.1.4. Industrial (bulk consumers).

PART 5: ASSESSMENT RATES

The rate in the rand as well as rebates, will be determined and approved by Council when the budget and tariffs are annually submitted for consideration.

1. All rateable properties in Makhuduthamaga Local Municipality will be valued at least every four years.
2. The tariff rate is to be uniform throughout the municipal area.
3. Varying rebates on assessment will be applied to the following categories:

a. Agricultural buildings.
b. Developed properties zoned as residential.
c. Welfare organizations, churches, section 21 companies.
d. Industries, businesses which have been established on undeveloped land.
e. Educational properties.
f. Municipal properties.
g. Registered indigents.

PART 6: SUNDRY TARIFFS

All sundry tariffs shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

6.1 Subsidised Services

The following services shall be considered as **subsidised services** and the tariffs levied shall cover a percentage (%) of the annual operating expenses budgeted for the service concerned which percentage shall annually be determined by Council as part of its budgetary process:

a) burials and cemeteries
b) rentals for the use of municipal sports facilities
c) municipal lending library

9.2 Community Services

The following services shall be considered as **community services**, and no tariff shall be levied for their use:

a) disposal of garden refuse at the municipal tip site
b) municipal reference library
c) municipal open spaces.

6.2 Economic Services

The following services shall be considered as **economic services**, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

a) rentals for the use of municipal halls, market stall and other premises (subject to the proviso set out below)
b) sales of plastic refuse bags
c) sales of refuse bins
d) Photostat copies and fees
e) Business licences
f) Building plan fees
g) clearance certificates.

6.3 Regulatory or punitive charges

6.3.1. The following charges and tariffs shall be considered as **regulatory or punitive**, and shall be determined as appropriate in each annual budget:

a) duplicate Library ticket fees
b) penalty and other charges imposed in terms of the approved policy on credit control and debt collection
c) penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

6.3.2 Market-related rentals shall be levied for the lease of municipal properties.

6.3.3 The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the Makhuduthamaga Local Municipality's sustaining damages as a result of the use of the facilities concerned.

6.3.4 The booking for the hall shall be confirmed after the full amount due has been paid.

PART 7: ANNEXURE: LEGAL REQUIREMENTS

SECTION I: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

1.1.1. The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

1.1.2. Such policy must comply with the provisions of the present Act and any other applicable legislation.

1.1.3. Such tariff policy must reflect at least the following principles:

a) that users of municipal services must be treated equitably in the application of the municipality's tariffs;
b) that the amount individual users pay for services must generally be in proportion to the use of such services;
c) that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households;
d) that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
e) that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
f) that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;

g) that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

h) that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;

i) that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed.

1.1.1. The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

1.1.2. If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

1. The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

2. The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

1. The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

2. Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

PART 8: ANNEXURE: EXEMPTIONS, REDUCTIONS AND REBATES

10.1 Indigent owners

The Council has adopted an Indigent Policy that provides for the alleviation of the rates burden on the low income sectors of the community within the Municipality. Owners of property who qualify for the assistance provided by this Policy must make application to access the relief provided.

10.2 Natural Disasters

Properties that have been damaged by a natural disaster, as defined in terms of the Disaster Management Act 57 of 2002, shall be re-valued as at date of such natural disaster, in accordance with the Act.

On application by the owner of the property damaged, as defined, the Council may fully /partially suspend the levying of rates on that property, as determined by Council from time to time.

10.3 Municipal

Property owned by Council and used for purposes of service delivery may be exempt, by Council Resolution, from paying rates.

10.4 Sporting bodies

Sporting bodies may, on application, be granted a rebate as determined by a Council resolution. Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962).

10.9 Public Benefit Organisations /Non Governmental Organisations and Cultural Organisations

The following Public Benefit Organisations/ Non Governmental

Organisations may be exempted from paying rates:

a) Welfare & Humanitarian Institutions

Properties used exclusively as an orphanage, non-profit retirement villages, old age home or other non-profit institution for the benefit of the public or a section thereof, provided that any

profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purpose.

b) Cultural

1.1 Property registered in the name of a declared institution in terms of the Cultural Institutions Act (Act 119 of 1998 as amended) promoting the cultural aims as defined in section (6)(a) and (b) of the Ninth Schedule to the Income Tax Act (Act 58 of 1962 as amended) which reads as follows:

a. The advancement, promotion or preservation of the arts, culture or customs.
b. The promotion, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries.

1.2 Property registered in the name of a cultural organization or any organization which is in the opinion of the municipality promoting the cultural aims as defined in section (6)(c) of the Ninth Schedule to the Income Tax Act (Act 58 of 962 as amended) which reads as follows:

a) The provision of youth leadership or development programmes.

Exemptions may be subject to the following conditions:

a. Applications must be made annually in writing and in the prescribed form;

b. Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962);

c. The Council retains the right to refuse exemptions if the details supplied in the application form are incomplete, incorrect or false;

d. If during the currency of any financial year, any such land or building is used for any purpose other than the purpose so exempted, the Council shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use.

11.1 Religious organisations

In terms of section 17(1) (i) of the Act, the Council may not levy a rate on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

11.2 Public and private schools, universities and colleges

The following categories of owners may receive a rebate as determined by a Council Resolution.

a) Private schools which are not State funded in terms of section 34 of

the South African Schools Act, 1996 (Act No. 84 of 1996) and are registered as independent schools in terms of the South African Schools Act, 1996 (Act No. 84 of 1996)

11.3 Owners of property situated within an area affected by any other serious adverse social or economic conditions

A property classified by Council Resolution under this category may receive a rebate as determined by the resolution.

11.4 Owners of properties used for bona fide farming purposes

Properties used for bona fide agricultural purposes with the property owner deriving his principle source of income from produce of the land may receive a differential rate as determined by a Council Resolution.

PART 9: RISK CONSIDERATIONS

Issue	Risk
Inappropriate tariff structuring	In order to avoid under-recoveries, the tariffs should be reviewed on a regular basis. On the other hand, if tariffs are set too high, users may not be able to pay.
Non-compliance with legislation	The tariffs should be reviewed for compliance with legislation.
Incorrect billing and accounting system	A problematic system may result on disgruntled customers and reduced revenues.

Tariffs Policy- Annexure A

1. HALLS TARRIF

	ACTIVITIES ON HALLS	TOTAL AMOUNT	REFUNDABLE DEPOSIT	PERIOD
1.	Ordinary use for halls meeting during the day and on weekends (any form of meeting)	R250.00	R100.00	Per day from 06h to 06h
2.	Ordinary use for halls meeting evening and on weekends	R1500.00	R500.00	Per night
3.	Wedding celebration	R1000.00	R500.00	Per day
4.	Concert ,stages and other related activity non profit	R250.00	R100.00	Per day
5.	Concert, stages and other related with profit	R1000.00	R200.00	Per day
6.	cultural festivals, and school activities	R300.00	R150.00	Per day
7.	Religions	R1500.00	R500.00	Per day

2. SPORTS FIELD

ACTIVITY	TOTAL AMOUNT	REFUNDABLE	PERIOD
Sports facility room	R100.00	R50.00	Per day
Sports field	R150.00	R100.00	Per match
Community and organizational gathering	R250.00 R500.00	R100.00 R250.00	06hour Per day

3. TARIFFS ON LIABRARY USAGE

Activity	Copy size and nature of the paper	Amount
1. Photocopying	a) A4 Black and White	**R1.00**
	b) A4 Colour copy	**R2.00**
	c) A3 Black and White copy	**R2.50**
	d) A3 Colour copy	**R3.00**

2. Printing	a) A4 Black and White Print	**R1.50 per page**
	b) A4 Colour print	**R2.50 per page**
	c) A3 Black and White Print	**R3.00 per page**
	d) A3 Colour Print	**R3.50 per page**
3. Internet usage	a) Scholars	**R5.00 per 4 hour**
	b) Adults	**R4.00 per 4 hour**
4. Annual Membership fee	a) Student (lower education)	**R20.00**
	b) Student (higher education)	**R30.00**
	c) Pensioners	**R5.00**
	d) Adult	**R 35.00**
5. Daily fee	e) All group age	**R5.00**
6. Weekly fee	f) All group age	**R10.00**
7. Monthly fee	g) All group age	**R15.00**

4. WASTE COLLECTION PROPOSED TARIFFS

	Refuse Bins (per month)		
Type of waste container	**Frequency of collection**	**Type of institution**	**Amount per month**
240L	3per week	Clinics	R300,00
240L	3 per week	Government Institution	R300,00
240L	1 a day	Businesses	R600,00
Refuse bags = 85L	1 per week	households	R15,00 + free refuse bag
Refuse bags	Once a week	Each hawkers stall	R15,00 + free refuse bag

	Bulk Containers per month		
Type of waste container	**Frequency of collection**	**Type of institution**	**Amount**
$6m^3x$	daily	Shopping complex	R2500,00
$6m^3$ x per lift for building rubble,	Per load	Companies, individuals, businesses etc(per hire)	R1250,00

garden etc			
6m3 x	Daily	Hospitals	R1200,00
6m3 x	Daily	per event for hire	R500.00

5. PROOF OF RESIDENCE, TENDER, AND OTHER BUSINESS RELATED SERVICES

Proof of residence	1 per person	R6.00
Business licensing	R100.00	Per year
Renting of hawkers stalls	R50.00	Per month
Approval of Building plans	R1.00	Per square meter
Minor works	R212.00	Per application
Approval for business building	R7. 35c	Per square meter
New houses less than 80 square metre	R200.00	Per Square meter
More than 80 Square metre	R3.18c	Per Square meter
Face-lifting	R1.80c	Per square meter
Extension and alteration	R4.80c	Per square meter
Occupation certificate (final inspection)	R170.50c	Per application / building
Tender Document 80/20	R350.00	Per tender document
Tender Document 90/10	R550.00	Per tender document

6. The property rates taxes will be at a rate of 0.015 cent in a rand and R 200 000 exemption on business properties.

Approvals:			
Position	**Signature**	**Name**	**Date**
Chairperson of the Council			
Municipal Manager			
Effective date			
Council Resolution Number:			